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Soviet Defense Outlay Is Almost Double Previous Estimates, CIA Tells Congress

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—The Central Intelligence Agency has concluded that Soviet defense spending is almost twice as high as previously estimated, according to congressional testimony.

The difference represents improvements in CIA analysis, rather than increases in military hardware or manpower. It does mean, however, that the military budget is even a larger drag on civilian economic growth than earlier believed.

These assertions were made by CIA officials in testimony before the Joint Economic Committee of Congress. The hearing, held last May, was secret, and a censored transcript was released only yesterday.

According to agency officials, it's currently believed Moscow spends from 11% to 13% of the country's gross national product on military programs. Until this year, the estimate was 6% to 8%. But officials cautioned this doesn't mean vast new military programs; instead, most of the revised estimate reflects better cost information about Russian military programs, acquired during the past year in ways the CIA declines to disclose.

New Information Cited

"As a result of an intensive collection and analytical effort over the past several years, we have acquired a great deal of new information on the ruble prices of Soviet military equipment," George Bush, director of Central Intelligence, told the committee. He said about 90% of the estimate change is due to this fresh knowledge, with the rest being program increases by the Russians.

However, Moscow has boosted production of its Backfire bomber, a weapon that has delayed completion of the second Strategic Arms Limitation Treaty, to 30 per year from 24 per year, according to the testimony. It has accelerated some other weapons procurement as well.

The real significance of the new estimate relates to the overall Soviet economy, however. Erratic farm production and persistent factory inefficiencies already have brought a slowdown in the Soviet growth rate. The CIA believes this problem will be aggravated if military spending continues to increase as in the past, now that it knows

how great the costs really are.

"If the Kremlin continues to allocate as great a share of GNP to defense programs as it does now, it will be hard pressed to sustain the 4.5% average GNP growth rate achieved over the past decade," Mr. Bush told the congressional hearing.

Special Treatment

For example, the CIA believes the Soviet military absorbs "about one-third of the output of the machine-building and metal-working sector, the sector that produces investment goods as well as military weapons and equipment," an agency official testified. Although Soviet munitions makers get special treatment—such as the best technicians and first call on resources—the CIA has concluded it remains about as inefficient as the civilian economy, which has severe problems by Western industrial standards.

This assertion seems to be borne out by studies of the Russian MIG 25 fighter that a defector recently flew to Japan. Reports say its metal fabrication and electronics are much less sophisticated than Western intelligence experts expected.

However, the agency officials stressed they don't see any sign that Moscow will divert resources from military to civilian programs. "Major defense programs have been generously supported even in periods of economic setbacks," an official stated.

The agency also told Congress that Soviet military spending in "real" terms far exceeds that of the U.S. Through an elaborate exercise, it has computed Russian military spending for 1975 at \$114 billion, compared with \$80 billion for the U.S. In ruble terms, it puts Soviet military spending at 55 billion to 60 billion rubles, more than triple the official Kremlin budget claim.

The testimony also indicated differences within the intelligence community about Russian plans for its new Backfire bomber. The CIA believes this new jet is being produced for antishipping and regional warfare, such as against European nations and China. The Air Force, according to CIA officials, contends the plane also will have an intercontinental attack mission.

This is the crux of the Backfire argument that's impeding a SALT agreement. If the plane is, in fact, a strategic bomber, as Air Force and some other Pentagon officials claim, then it should be covered by a SALT II treaty. If it isn't a strategic threat, however, it could be excluded—at least till Moscow gives it other duties. Thus far the Ford administration hasn't settled this dispute.

The CIA testimony also described the Chinese economy and military.

It said China's 1975 grain production was 260 million tons, unchanged from 1974. However, industrial output showed a 10% growth, up from 5% a year earlier. Coal shortages, transport tieups and other problems hurt production in 1974.

Meantime, the Chinese military hasn't undertaken any major new programs. The emphasis remains on slow modernization of its obsolescent equipment. Perhaps the most significant development is purchase of technology from Rolls-Royce, the British manufacturer, to build an aircraft engine plant in China to produce the Spey-202 engine—the same one used in the British version of Phantom fighters. China's fighter factories haven't been able to devise a modern and reliable engine of their own.

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